THE EAGLE'S VIEW

AN INDEPENDENT FIRM

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Chris Tully, CFP®, RICP®, CIMA®
President

Investment Markets

As we come down the homestretch, a myriad of ongoing and upcoming events will influence the investment markets, both in the short-term and over the long run. Elections, Federal Reserve meetings, and overseas wars have been in the investors' minds for much of the year.

We're now under a month away from the upcoming elections. Candidates are starkly different, and regardless of the victor, opposition is possible within Congress. Politicians typically take more credit and shoulder more blame when markets are good or bad than they deserve, and typically external positives and negatives have more of a random impact on market performance. Half of the country was upset (and likely worried about their portfolios) when they woke on November 9th, 2016, while the other half felt the same on November 4th, 2020. Over both administrations, stocks were positive. History going back decades points to much the same. Not to say that elections don't matter, they certainly do. But the markets have tended to push forward regardless of who is at the steering wheel. Policies can impact financial plans, especially on the tax side of the equation, so we will be keeping a watchful eye on who wins, what is said, and what is likely to become law. For now, the Tax Cuts and Jobs Act of 2017 is set to continue through 2025; thereafter is anyone's guess and will largely be influenced by who the victor in a few short weeks is. Income tax brackets, capital gains taxes, dividend tax rates, and the federal estate exemption could all be in play, along with a myriad of other items that could impact our client's financial success moving forward. All of which will be monitored by us, with adjustments proposed to clients who could be impacted in some way.

The Federal Reserve, which finished its historic and rapid string of increases in July of 2023, finally cut 0.50% in September. Future rate changes will be dependent on economic data (inflation and employment, mostly), but the Fed – and the market – is anticipating cuts to continue over the next year. Rate cuts are bad for savers who have enjoyed 4%+ on savings accounts and CDs, but decreasing/lower rates are usually good for investors and those with debt. Looking back through history, markets are generally up over the first 12 months following the first rate cut, except in cases where a recession followed. With 3rd quarter GDP expected to be 3.2% annualized (report to be released on the 30th), following the 2nd quarter's increase of 3.0%, and an unemployment rate of under 5%, signs currently point to a continuation of a healthy economy (at least in terms of the economy as a whole: inflation over the last several years continues to put a significant strain on individuals).

The impacts of intensifying geopolitical conflicts in the middle east and eastern Europe are anyone's guess, though to date the impact on volatility has been minimal. If conflicts expand, volatility could certainly increase.

Lastly, "seasonality" is now on our side. Historically (since 1960), the 4th quarter of the year has been strong for markets. History doesn't always repeat itself, as September is typically the worst month of the year but ended positive in 2024. Nevertheless October (5th best), November (1st), and December (3rd) have tended to be positive performers for investors.

Overall, we've seen significant increases in various stock indices since late 2022, with bonds following suit but to a much more moderate degree. With lower interest rates, a resilient economy, and an accommodative Federal Reserve, we could see a continuation of this trend. Valuations – in terms of price-to-earnings ratios – are on the high

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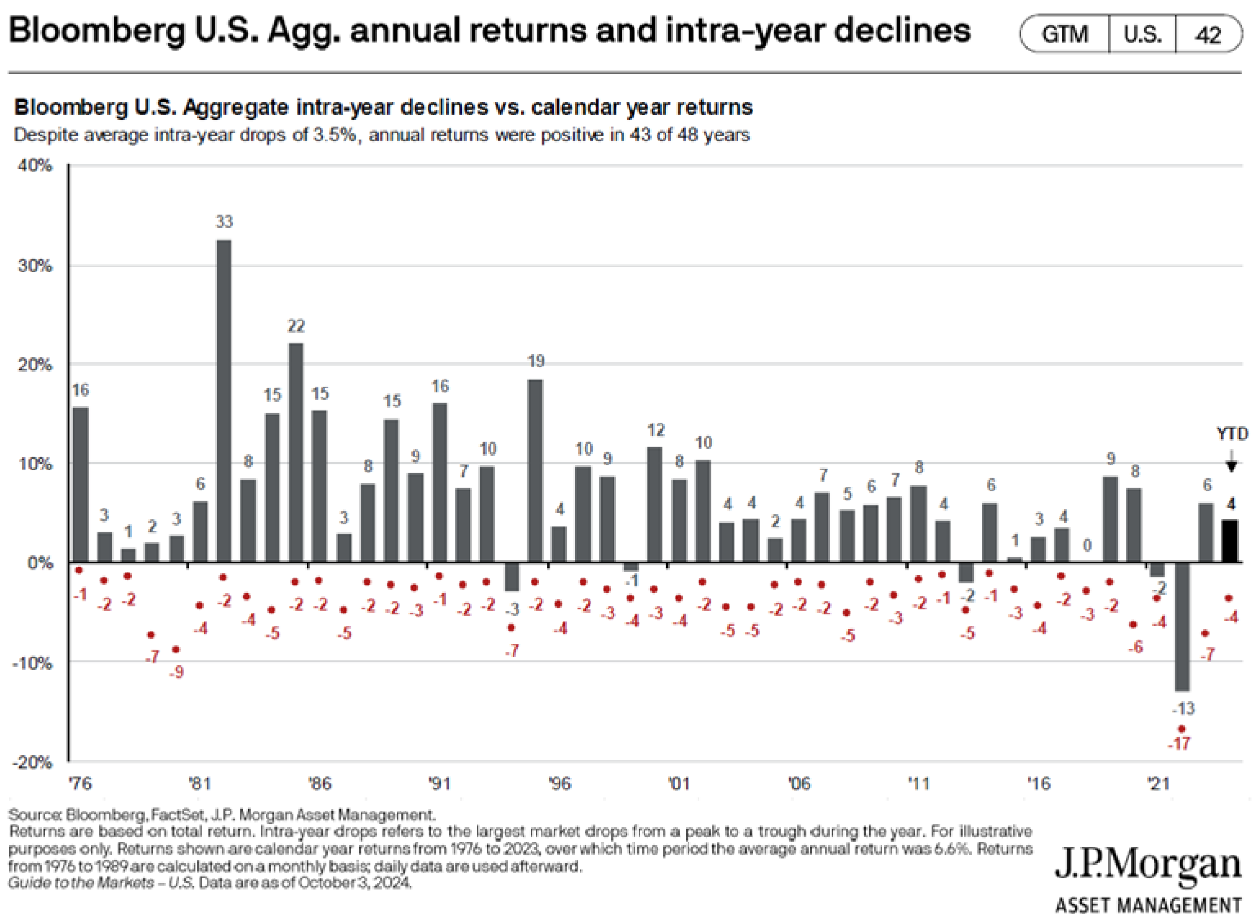
side versus history, so we believe a balance is necessary (specifically, a tilt towards areas of the markets that aren't quite as high in terms of these data points).

CDs Maturing / Cash Rates Decreasing / Bonds

One final note on decreasing rates impacting savers. As investors may have invested in cash (or "money market mutual funds") and CDs over the past year or two, we've seen a steep decrease in rates available today for reinvestment. For instance, it was common to see 1-year CDs at 5% or greater last fall; today, a similar 1-year CD maturing next October is likely at 4% or less. Though the Fed hasn't cut quite this much, banks anticipate further cuts and have begun their own cutting in advance.

Though bonds have experienced their worst 4-year stretch since at least the Great Depression, the set-up moving forward appears to be much more favorable. 2021 and 2022 were historically bad, but this had much to do with how low rates initially were, and how quickly they increased. A repeat is unlikely as rates are starting from a higher perch and are likely to decrease over the coming year – both of which are positive for bond values/performance. A well-diversified portfolio of bond managers could be a solution for those that aren't willing to accept lower cash and CD rates but are willing to accept a potentially moderate amount of additional volatility. Per the chart below from JP Morgan, prior to 2021 bonds experienced a positive – and much more stable – decades-long run of performance, with only 3 of 45 years being modestly negative.



Paul's Perspectives

Paul J. Tully, CFP®, RICP®
Founder

I have written several times about what I expect in the future. Among them is human health span expansion, which I am now more convinced than ever is about to take a quantum leap forward. There is so much going on, now accelerated by the emergence of artificial intelligence, that I think we will be shocked by the significant advances in the next decade. For much of recorded history, life expectancy was less than 40 years old. A baby born today will live double that and perhaps triple that. Our financial planning software, and even the IRS IRA tables now can go to age 120.

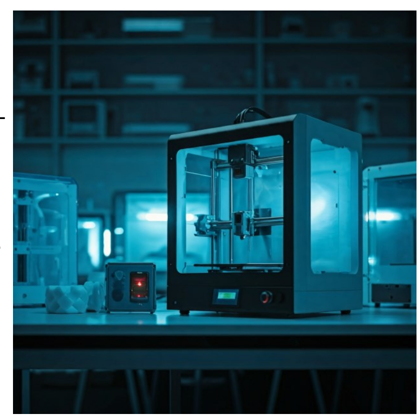
There will be challenges. Among those challenges will be how people can afford to live a lot longer and active than anyone anticipated a few years ago. That's where we can help!

I also believe, and I think many leading firms agree, that rates of return will be more modest, and to be successful as an investor, you will need more "tools" than ever before. Taxes will become a more significant issue (I believe they have nowhere to go but up) and managing costs, whether in your home, business or investment accounts will take on a new urgency.

Like me, you are probably tired of the constant drumbeat of sensationalized negative news. Media, social media, it doesn't matter… it is contagious to the point that there are things I no longer read because I'm tired of the "if it bleeds, it leads" business model and the drive for clicks and views.

I recently read that 40% of high school seniors feel "it's hard to have hope for the world today" Seriously? Forty percent? Have we allowed our culture, our media etc. to make life seem so bad at a time of unparalleled good news and amazing developments now and in the future? I've decided to list some positive thoughts to dwell on in each future newsletter. Living in America in 2024, we are surely the most fortunate people in history, despite our challenges.

It wasn't that long ago (well maybe it was but 200 years goes quickly) when there were no cars, planes, internet, cell phones (I was in my 30s for my first one). No antibiotics, plenty of disease, life expectancy was in your 40s. Space travel, getting more common all the time today, was an illusion. Three TV channels, all black and white. Cars without seat belts or airbags cut lives short.



In our future, we may have energy that costs $10 per month for your home from a company called TerraPower. CRISPR, a gene editing discovery, may cure currently hundreds of uncurable diseases, including blindness. mRNA, which was the genesis for the rapidly developed COVID vaccines, may be even more powerful. Already there is now a successful, though not perfect, treatment for a deadly skin cancer called melanoma. Tests using mRNA are showing positive results for cancers of kidney, pancreas, lung and bladder.

On the lighter side, though no less revolutionary, we may have bathroom renovations where your toilet will tell you if you are dehydrated, have a urinary tract or kidney infection. Already available!

Your mirror may have an interface with your doctor, suggest skin care recommendations and tell how blood is flowing to your face, can warn about stroke, heart attack and high or low blood pressure.

In the kitchen, AI might allow robots to cook perfect custom meals and even measure for you how much protein, vitamins and hydration should be in your meals based on your biological profile.

While we are inundated with reports of crimes, floods, wars and political acrimony, there is plenty of great news out there that just doesn't get reported. ***But it is there every day.***

Ryan Miller
Relationship Manager

Donor Advised Funds

Do you have a favorite charity or church where you normally donate? Do you have a stock position that you are willing to donate to avoid the capital gains and receive a tax deduction today? Would you want the funds to be in a diversified portfolio and have potential for growth? If you said yes to any of these questions, then Donor Advised Funds (DAFs) may be the perfect strategy for you. DAFs allow you to choose from over 1.5 million U.S. charities that qualify as public organizations under the IRS code.

For example, if you have a stock with high capital gains, you could transfer the shares into your DAF and avoid the capital gains tax, and any assets in your DAF are excluded from your estate value. Although you could receive the tax benefit within this year, you do not need to send the full donation to the charity this year. You can send grants of $100 or more when you are ready. There is no requirement that you must send money out of your DAF each year - this is completely at your discretion.

I know what you are thinking at this point, how do you start this process? Easy! Before we open a DAF, we obtain a list of your charities and confirm that they are considered a qualified public organization.

Next, you and your advisor will collaborate on a plan to fund the DAF, since the one requirement to open the account is a minimum contribution of $10,000. Your advisor will also help you pick which DAF investment strategy works best for you.

If you are a person who normally donates and has large capital gains, or just want to take advantage of receiving an immediate tax deduction for this year, then Donor Advised Funds (DAFs) may be a perfect strategy for you.

Important Deadlines

12/2: Deadline to submit a grant request from your DAF in order for it to be approved in 2024 **(if your grant does not meet auto-approval criteria)**

12/13: Deadline to submit a grant request from your DAF in order for it to be approved in 2024 **(if your grant meets auto-approval criteria)**

12/13: Deadline to open and/or fund a DAF at RJ Charitable

12/31: Deadline for contribution checks to be postmarked by in order to count for 2024

Melissa Phillips
Director of Operations
Chief Compliance Officer

October is Cybersecurity Awareness Month

Cybersecurity is a word that's become ubiquitous in this day and age in a world that relies so heavily on technology to get us through our day to day. While it may be highlighted this month, it's on our minds 24/7 here at EWS as we strive to keep your information and accounts secure from bad actors. Constant threats exist, but as part of our fiduciary duty to our clients, we ensure that we have layers of protection in place to stay ahead of the game. I work closely with a Managed Service Provider to implement and maintain our Cybersecurity Policies and Procedures, and we hold team cybersecurity training sessions regularly to keep everyone refreshed on existing procedures and knowledgeable on any new threats.

You'll notice that when you call us, we may ask for a few pieces of information to verify your identity – your social security number, date of birth, mailing address, etc. – we can't rely on caller ID anymore as cyber criminals have the ability to "spoof" phone numbers, making it appear like they're calling from a known number. Generally, we do recognize our client's voices, which helps – but even now, we're becoming aware of the darker side of artificial intelligence, where even voices can be replicated over the phone. Scary stuff indeed – but for now this is more of a rare occurrence; however, in the future we may urge you to add a code word or phrase that we can use as a second layer of identification.

Email continues to be the most heavily abused in the world of cybercrime, though – this is why we will never accept transaction instructions over email and will insist on a verbal confirmation every time. We are not trying to annoy you with all the calls – we're just making sure we protect you and your assets. We did have a case where an email with wire instructions came in from a client's known email address – we immediately called the client and determined that their email account had indeed been compromised. By notifying the client quickly, they were able to halt other fraudulent transactions before they happened.

If we do have any instances of what we call "red flags", the entire team is notified immediately, a preventive identity theft flag is placed on your accounts at Raymond James, and we investigate until we feel that the threat is either resolved or explained. Red flags can include someone unauthorized calling in asking for information on your account or a suspicious email, or they can be reported by you – if you've been the victim of identity theft it's important that you notify us so that we can put you on our heightened security list.

As a reminder, if you do want to authorize someone to inquire or obtain information about your account, please ask your advisor or relationship manager for the Third-Party Authorization form. Without this on file, we will not release any information to anyone other than you.

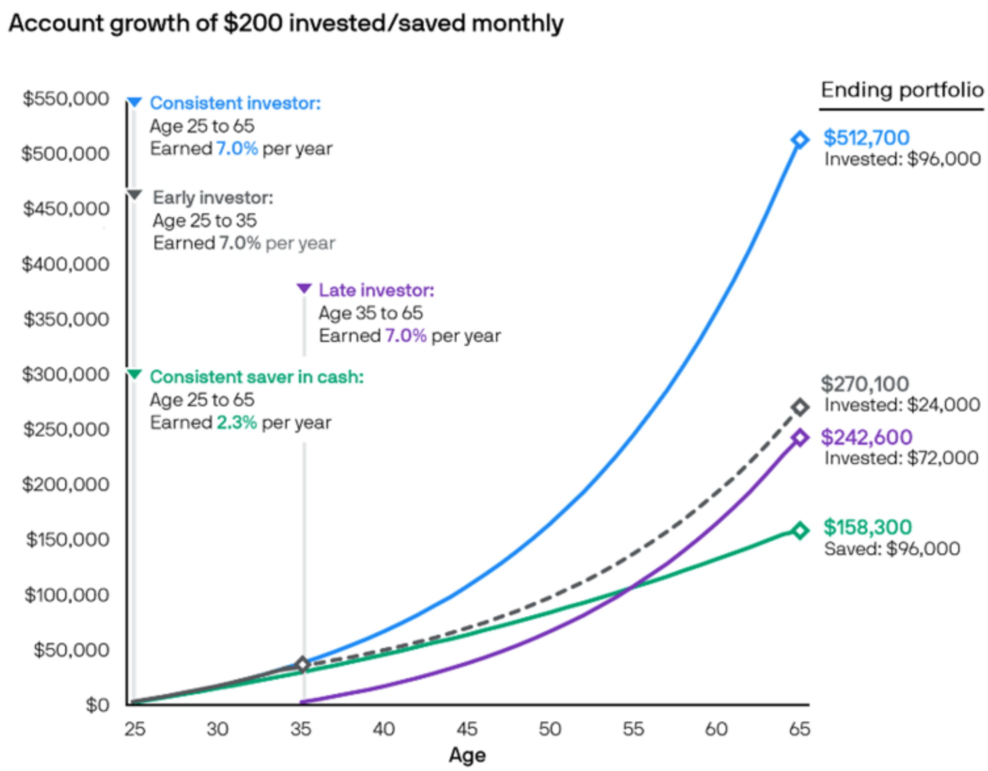
Lastly, we urge you to **be vigilant and suspicious**, too – if you receive unexpected communication from us requesting information, or a phone call from someone you don't recognize, always call us to verify the legitimacy of the request. *We don't mind and would prefer you be safe than sorry!*

David Koehler, CFP®
Wealth Advisor

Benefits of Saving and Investing Early

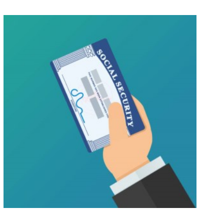
When it comes to achieving long term financial goals, starting early and staying consistent can be key. Even modest recurring contributions to an investment account can accumulate to substantial amounts by the time one reaches retirement age (or another popular example discussed in my house recently, by the time a newborn reaches college age).

J.P. Morgan highlights the power of consistent contributions and compound returns in their Guide to Retirement. The chart below compares the ending portfolio value of four hypothetical investors who invest $200 monthly beginning at age 25:



The early, consistent investor has over $270,000 more by age 65 than the investor who started just 10 years later, and $242,000 more than the investor who started at the same time but failed to remain consistent after the first 10 years. And by directing contributions to an investment portfolio earning 7% annually compared to cash savings earning 2.3% annually for 40 years, the early, consistent investor has an ending portfolio balance over 3X larger than the consistent saver in cash.

This is just one example of the importance of having a disciplined and defined strategy for long term investing goals, and why there's no time like the present to get started!

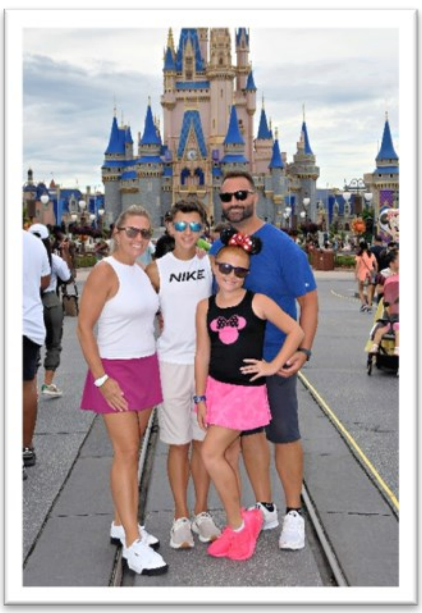


Social Security Benefits will increase by 2.5% for 2025

The Social Security Administration has announced that the annual cost of living adjustment, or COLA for short, in 2025 will be 2.5%. On average, this means that retirement benefits will increase about $50 per month beginning in January. Over the last decade, the cost of living adjustment has averaged about 2.6%.

News at EWS

Melissa and her mom took a "girls road trip" to Disney World in September – both kids at heart, they had a great time doing all things Disney (yes, even wearing matching mouse ears!)



Steffanie and her family were busy as always. They also took a trip to Disney to end the summer on a good note.

Steff and her son **Landon** kept their tradition of running the Pitman Freedom 4-miler race on the 4th of July.

Steff's daughter **Brielle** participated in the "Play for a Cause" field hockey tournament over Columbus Day weekend. They ended the weekend 6-1, coming in 2nd place out of 16 teams!

Christopher Tully, CFP®

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